

## UNAUDITED INTERIM RESULTS

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 1999 (the "Period") together with comparative figures for the same period in 1998 are as follows:

		<b>Unaudited Six Months Ended 30 June</b>	
		<b>1999</b>	<b>1998</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER		<u>324,147</u>	<u>265,671</u>
OPERATING PROFIT	(1)	26,678	54,303
Share of profit/(loss) of an associated company		<u>(9)</u>	<u>1,050</u>
PROFIT BEFORE TAXATION		26,669	55,353
Taxation	(2)	<u>(3,762)</u>	<u>(5,033)</u>
PROFIT BEFORE MINORITY INTERESTS		22,907	50,320
Minority interests		<u>(5)</u>	<u>(2,586)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>22,902</u>	<u>47,734</u>
Transfer to reserves		<u>9,058</u>	<u>6,607</u>
Interim Dividends		<u>—</u>	<u>6,250</u>
EARNINGS PER SHARE	(3)	<u>1.8 cents</u>	<u>3.8 cents</u>

Notes:

### I. Operating Profit

The Group's operating profit is arrived at after charging/(crediting):

		<b>Unaudited Six Months Ended 30 June</b>	
		<b>1999</b>	<b>1998</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation:			
Owned fixed assets		<u>53,804</u>	<u>34,861</u>
Interest on:			
Bank loans		13,383	12,864
Other loans		9,820	15,853
Less: interest capitalised		<u>—</u>	<u>(18,585)</u>
Net interest charge		<u>23,203</u>	<u>10,132</u>
Exchange gains, net*		<u>(15,583)</u>	<u>(550)</u>

\* Exchange gains for the six months ended 30 June 1999 includes HK\$14,880,000 arising from the closing rate translation of DEM loan at 30 June 1999.

## 2. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the relevant periods. Tax on assessable profit of a subsidiary of the Company operating in Mainland China has been calculated at the rate of enterprise income tax applicable to that subsidiary.

The Group did not have any significant unprovided deferred taxation in respect of each of the relevant periods.

	<b>Unaudited Six Months Ended 30 June</b>	
	<b>1999</b>	<b>1998</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	—	—
Mainland China	<u>3,762</u>	<u>5,033</u>

## 3. Earnings Per Share

The calculation of the basic earnings per share are based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 June 1999 of HK\$22,902,000 (1998: HK\$47,734,000) and a total of 1,250,000,000 (1998: 1,250,000,000) shares in issue during the Period.

Diluted earnings per share for the relevant periods reflecting the exercise of all outstanding share options are not presented because the impact is anti-dilutive.

## INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of any interim dividend for the six months ended 30 June 1999 (1998: 0.5 HK cents per share).

## BUSINESS REVIEW

Domestic consumption in mainland China was weak with continued deflation in the first half of the year, while competition in the beer industry remained intense. Amid these difficult market conditions, the Group actively developed new markets and successfully achieved satisfactory growth in sales. The unaudited consolidated turnover of the Group for the first six months of 1999 was HK\$324 million, representing a growth of 22% as compared with the same period in 1998. As Kingway Plant No. 2, which commenced production in September 1998, has not yet reached breakeven point; this has affected the operating results of the Group, which recorded an unaudited net profit attributable to shareholders of HK\$22,902,000, representing a decrease of 52% as compared to the same period in 1998. Earnings per share were 1.8 cents, representing a decrease of 53% as compared to the same period of 1998. Despite the decrease in profits in the first half of the year, the Group's cash inflow from operations was still satisfactory and the financial status of the Group remains stable.

### Market Development and Brand Promotion

The sales volume of Kingway beer for the first half of 1999 amounted to 83,700 tons, representing an increase of 20% as compared with that of the previous half year. All expansion plans for Kingway Plant No. 1 & 2 were completed. With the advanced production facilities with an annual production capacity of 400,000 tons of high quality beer, Kingway beer has sufficient production capacity to implement the next step of its market expansion plan. In order to benefit from the advantages of scale, Kingway beer continues to focus on increasing sales through brand promotion and market development. The Group

plans to continuously increase the advertising and promotion budget pursuant to its long-term marketing plan for Kingway Beer

The growth in sales volume of the Group in the first six months of 1999 is mainly from the Guangdong markets. As anticipated by the Board of Directors last year, competition in the beer market in Shenzhen this year is intense. With a strengthened sales force in the Shenzhen market, Kingway beer has successfully maintained its market share. Kingway beer added a new medium price range beer product in the East Guangdong markets and successfully increased the sales in these areas. The sales of Kingway beer in other Guangdong markets remain stable. The strategy of focusing resources in the development of the four neighbouring provinces – Guangxi, Hunan, Fujian and Jiangxi has proved to be effective. The Kingway brand is becoming popular and the sales distribution network are building up rapidly in these provinces. Kingway beer has entered the major Hong Kong supermarkets and convenient stores – Wellcome, Parkshop, China Resources, Guangnan (KK) and 7-Eleven and achieved satisfactory results

### **Research, Development and Cost Control**

In the first half of 1999, a new product – bottled draught beer was introduced to the market. Production of bottled draught beer requires more advanced production facilities and technology. The special fresh taste of the bottled draught beer was quickly accepted by beer consumers.

According to new regulations applicable to the beer industry in mainland China, commencing on 1 April 1999 all breweries must use the qualified type “B” bottles which meet certain specified standards of the State in production. The consequent undersupply of type “B” bottles has increased the price of such bottles during the first half of the year. During the Period, Kingway beer continues to strengthen the purchasing function and exercise tight control to reduce production wastage and the savings therefrom on the direct production costs largely absorbed the impact of the cost increases on packaging due to the new regulations of using type “B” bottles. The Group also adopted cost control measures on other fronts and the implementation so far has achieved positive results.

### **Shandong Huazhong Amber Brewery Co., Ltd. (“Shandong Amber Brewery”) – Associated Company**

The sales volume of Amber beer for the first half of 1999 was 83,600 tons, representing a growth of 10% as compared with that of last year. Owing to the low beer price and the cost increases due to the new regulations of type “B” bottles, Shandong Amber Brewery made a small loss during the first six months of 1999.

### **BUSINESS PROSPECT**

The Board of Directors is of the view that the consumer market in mainland China will remain weak and competition in the beer market will be intense in the second half of 1999. However, the second half of the year is traditionally the peak season for the beer industry, and Kingway beer will increase its efforts in advertising and adjust its sales strategy to strengthen its sales force in order to achieve greater market share in Guangdong and to further develop and strengthen its market position in the neighbouring provinces. It is expected that the markets developed in the neighbouring provinces will become another main source of sales growth of Kingway beer in the longer-term future. Meanwhile, the Group will further enhance and strengthen its internal management aiming to achieve higher production efficiency and higher profitability. It is expected that the Kingway Plant No. 2 will not breakeven this year, but this position is expected to turn around in the year 2000 as sales of beer grow. The Board remains confident as to the business development prospects of the Group.

The Group is not included in the standstill arrangements with financial creditors applicable to its controlling shareholder, Guangdong Investment Limited, as announced on 4 March 1999.

## YEAR 2000 COMPLIANCE

As many computer systems which store date information based on a two-digit year sequence are unable to accurately process dates for the Year 2000 ("Y2K"), the computer systems may not function properly beyond the Y2K. The Group has carefully evaluated the potential risks and has taken appropriate measures since 1997 to ensure the computer systems are Y2K compliant.

The Y2K compliance project involves testing the systems to ensure that they are Y2K compliant. All critical systems of the Group have been tested and upgraded to Y2K standard. Suppliers and service providers have been requested to confirm that their products and services are Y2K compliant.

As at 30 June 1999, the Group has not incurred material expenditure on Y2K issue. The total cost of the Y2K project will be insignificant.

Contingency plans have been developed to handle any unexpected failures at the millenium date. The Group will continue to take necessary steps to minimize the impact on its business arising from Y2K problem. However, the Group cannot guarantee that there will be no business interruption due to its business partners' Y2K incompatibility.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 1999, the interests of the Directors in the equity or debt securities of the Company and its associated corporations recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules") were as follows:

### I. Shares

#### (i) The Company

Name of Director	Type of Interest	Number of Shares Held
Chau Kam Wing, Donald	Personal	4,220,000

#### (ii) Guangdong Investment Limited

Name of Director	Type of Interest	Number of Ordinary shares Held	Number of warrants Held
Au Wai Ming	Personal	300,000	50,000*
Chen Haotian	Personal	100,000	—
Yuan Youjian	Personal	180,000	—
Zhou Dongxiang	Personal	40,000	10,000*
Hou Bojian	Personal	150,000	35,000*
Tang Zhen	Personal	666,000	66,600*
Chau Kam Wing, Donald	Personal	—	32,000*

\* The subscription price of the warrant has been adjusted from HK\$8.00 to HK\$7.93 per ordinary share with effect from the close of business on 20 November 1998. The subscription rights attaching to the warrants held by the Directors have not been exercised by the respective Directors and lapsed on 30 July 1999.

As at 30 June 1999, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the 1% convertible bonds due 2002 (the "2002 CB") issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited ("GDI") and had more than 1/3 of the voting right in VP Private Equity Ltd., the fund manager to VP Special Situations I Limited ("VPSS") which held US\$2,500,000 in principal amount of the 2002 CB. Mr. V-nee Yeh also had a 0.486% attributable interests in VPSS. The 2002 CB are listed on the Luxembourg Stock Exchange and would be due on 7 July 2002. The 2002 CB carry a right to be converted into fully-paid ordinary shares ("Ordinary Shares") with a par value of HK\$0.50 each of GDI at an initial conversion price of HK\$13.75 per Ordinary Share subject to adjustment.

## II. Options

### (i) The Company

Name of Director	Number of options held on 01/01/1999	Options granted Jan - Jun 1999 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option HK\$	Number of options exercised Jan - Jun 1999	Number of options held on 30/06/1999
Au Wai Ming	4,500,000	-	-	*20/02/1998-19/02/2003	2.1	-	4,500,000
Ren Qihan	1,200,000	-	-	*20/02/1998-19/02/2003	2.1	-	1,200,000
Chen Haotian	1,200,000	-	-	*20/02/1998-19/02/2003	2.1	-	1,200,000
Yuan Youjian	1,200,000	-	-	*20/02/1998-19/02/2003	2.1	-	1,200,000
Zhou Dongxiang	1,200,000	-	-	*20/02/1998-19/02/2003	2.1	-	1,200,000
Chau Kam Wing, Donald	1,400,000	-	-	*20/02/1998-19/02/2003	2.1	-	1,400,000

\* If 19/02/2003 is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

No consideration has been paid by any of the Directors for the options granted by the Company.

(ii) *Guangdong Investment Limited*

Name of Director	Number of options held on 01/01/1999	Options granted Jan – Jun 1999 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option HK\$	Number of options exercised Jan – Jun 1999	Number of options held on 30/06/1999
Au Wai Ming	500,000	–	–	*19/08/1998-18/08/2003	2 892	–	500,000
Hui Ho Ming, Herbert	6,000,000	–	–	*01/11/1997-31/10/2002	5 392	–	6,000,000
	6,000,000	–	–	*19/08/1998-18/08/2003	2 892	–	6,000,000
	–	01/04/1999	6,000,000	*02/10/1999-01/10/2004	0 920	–	6,000,000
Ren Qihan	150,000	–	–	*17/09/1998-16/09/2003	3 024	–	150,000
Chen Haotian	50,000	–	–	*10/06/1997-09/06/2002	4 536	–	50,000
	150,000	–	–	*17/09/1998-16/09/2003	3 024	–	150,000
Yuan Youjian	150,000	–	–	*17/09/1998-16/09/2003	3 024	–	150,000
Zhou Dongxiang	150,000	–	–	*17/09/1998-16/09/2003	3 024	–	150,000
Hou Bojian	500,000	–	–	*19/08/1998-18/08/2003	2 892	–	500,000
Tang Zhen	350,000	–	–	*10/06/1997-09/06/2002	4 536	–	350,000
	500,000	–	–	*19/08/1998-18/08/2003	2 892	–	500,000
Chau Kam Wing, Donald	150,000	–	–	*19/08/1998-18/08/2003	2 892	–	150,000

\* If the last day of any of the option period is not a business day in Hong Kong, the option period shall end on the business day preceding that day

No consideration has been paid by any of the Directors for the options granted by Guangdong Investment Limited.

(iii) *Guangdong Building Industries Limited*

Name of Director	Number of options held on 01/01/1999	Options granted Jan – Jun 1999		Period during which option is exercisable	Price per share to be paid on exercise of option HK\$	Number of options exercised Jan – Jun 1999	Number of options held on 30/06/1999
		Date granted	Number granted				
Hou Bojian	770,000	–	–	*11/09/1995-10/09/2000	2.25	–	770,000

\* If 10/09/2000 is not a business day in Australia, the option period shall end on the business day preceding that day.

The consideration paid by the Directors for each option granted by Guangdong Building Industries Limited was HK\$0.005.

(iv) *Guangdong Tannery Limited*

Name of Director	Number of options held on 01/01/1999	Options granted Jan – Jun 1999		Period during which option is exercisable	Price per share to be paid on exercise of option HK\$	Number of options exercised Jan – Jun 1999	Number of options held on 30/06/1999
		Date granted	Number granted				
Hou Bojian	1,100,000	–	–	*15/07/1997-14/01/2002	1.3936	–	1,100,000
Tang Zhen	1,100,000	–	–	*15/07/1997-14/01/2002	1.3936	–	1,100,000

\* If 14/01/2002 is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

No consideration has been paid by any of the Directors for the options granted by Guangdong Tannery Limited.

Save as disclosed above, as at 30 June 1999, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

Save as disclosed above, the Company or any of its associated corporations did not grant to any Director or chief executive of the Company, spouse or children under 18 years of age of any such Director or chief executive any right to subscribe for equity or debt securities of the Company or any of its associated corporations, nor had there been any exercise of such right by such persons during the Period under review.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 1999, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name of shareholder</b>	<b>Number of Shares Held</b>	<b>Percentage Holding</b>
Guangdong Enterprises (Holdings) Limited (Note)	937,500,000	75%
Guangdong Investment Limited	900,000,000	72%

Note: The shares beneficially held by Guangdong Enterprises (Holdings) Limited comprise the 900,000,000 shares held by Guangdong Investment Limited and 37,500,000 shares held directly by it.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the Period except that the Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Board of Directors of the Company has established an Audit Committee in accordance with the Code of Best Practice. The Audit Committee meets every six months mainly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

By order of the Board  
**Au Wai Ming**  
Chairman

Hong Kong, 22 September 1999